

ANNUAL REPORT

FOR THE YEAR ENDED

JUNE THIRTIETH

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Attop. W. Aguirre

V E N P O W E R L I M I T E D

(formerly Venezuelan Power Company Limited)

Proposed to for dis.
Hyman Lettman -
Harry Win -

VENPOWER LIMITED

P.O. BOX 53, TORONTO-DOMINION CENTRE, TORONTO, CANADA

*1,912,537
shs voted*
*3,150
voted*

<i>Directors</i>	J. S. GAIRDNER	-	-	-	-	-	-	-	-	Oakville
	W. D. HALL	-	-	-	-	-	-	-	-	Caracas
	J. H. HAWKE	-	-	-	-	-	-	-	-	Toronto
	C. W. LEONARDI, C.A.	-	-	-	-	-	-	-	-	Oakville
	W. I. WOODSON	-	-	-	-	-	-	-	-	Caracas
	F. J. McDONALD	-	-	-	-	-	-	-	-	Toronto

<i>Officers</i>	J. S. GAIRDNER	-	-	-	-	-	-	-	-	<i>Chairman</i>
	C. W. LEONARDI, C.A.	-	-	-	-	-	-	-	-	<i>President</i>
	G. L. PLODER, C.A.	-	-	-	-	-	-	-	-	<i>Treasurer</i>
	(MRS.) S. GRANGER	-	-	-	-	-	-	-	-	<i>Secretary</i>

Transfer Agent & Registrar CANADA PERMANENT TRUST COMPANY 1901 Yonge St., Toronto

Solicitors BLAKE, CASSELS & GRAYDON - - 25 King St. West, Toronto

Auditors ERNST & ERNST - - - - 7 King St. East, Toronto

Listing TORONTO STOCK EXCHANGE - - - Bay St., Toronto

VENPOWER LIMITED

President's Report to the Shareholders:

Consolidated net earnings for the year ended June 30, 1969 were \$213,309 or 7½ cents per share compared to \$120,365 in the prior year. The substantial improvement in earnings is attributable to increased revenue and reduction in interest charges, although the improvement was partly offset by increased income taxes. Total revenue was up 12 per cent to \$1,242,115 from \$1,109,478. Working capital increased \$574,530 for the year.

The reorganization in January, of the financial structure of your Company has shown immediate benefits in terms of financial management and long term planning. A line of bank credit has been established and the Company is in an improved working capital position, thereby permitting upgrading of distribution services and equipment. Details of the financial steps covered by the reorganization are shown in Note C.

Following the reorganization, negotiations commenced with equipment suppliers for additional generation facilities which concluded with a contract for a 2500 K.W. fully automatic package diesel unit plus substation for delivery in December. There is also an option for a second engine at the same price which is open until April 1970. The total cost of the two engines and substation will be approximately \$580,000. The reason for deciding on diesel equipment instead of an additional turbine was the fact that government hydro power is becoming available and should we reach an agreement to purchase same, this type of equipment is more readily saleable.

Following the election of a new Venezuelan government which took power last March, there has been an outcry for reduced power rates. As a consequence, the federal government froze all electric rates in Venezuela pending the completion of a power commission investigation into rate structures. As a result, negotiations started several months ago by Venpower to expand its consumer distribution in Anaco have temporarily halted. A new fifteen year agreement had been reached which had kept rates at a similar level to the current contract, which rates are comparative for our area. However, the Company is continuing discussions with major companies in the surrounding oil fields to accommodate their increasing requirements for electrical power.

Our programme for 1969/1970 calls for completion of the revisions to the distribution system in Cantaura which should eliminate line losses and, therefore, increase income as well as improving operational procedures in general. I am pleased to report that the distribution system in the two towns under our jurisdiction are the most modern in eastern Venezuela.

The directors wish to thank all members of the staff for their cooperation during the fiscal year.

Submitted on behalf of the Board,

C. W. LEONARDI,

President.

TORONTO

October 28, 1969.

To the Shareholders,
VENPOWER LIMITED.

We have examined the consolidated financial statement of Venpower Limited and its subsidiaries for the year ended June 30, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statement for the preceding year.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings and source and application of funds together with the notes which are a part thereof present fairly the consolidated financial position of Venpower Limited and its subsidiaries at June 30, 1969, the consolidated results of their operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Chartered Accountants

September 19, 1969.

VENPOWE

(Incorporated under the laws of the State of New York)

AND ITS WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(With comparative amounts for 1968)

ASSETS

	1969	1968
CURRENT ASSETS:		
Cash - - - - -	\$ 111,619	\$ 70,646
Short-term deposits - - - - -	432,764	112,000
Trade and sundry accounts receivable - - - - -	762	136,193
Inventory of supplies—at cost - - - - -	279,848	110,087
Prepaid expenses - - - - -	58,122	2,648
	<hr/>	<hr/>
	883,115	431,574
FIXED ASSETS:		
At cost:		
Land - - - - -	56,121	100,109
Buildings - - - - -	590,091	579,440
Equipment and line facilities—Note E - - - - -	4,468,233	4,450,619
	<hr/>	<hr/>
	5,114,445	5,130,168
Less allowances for depreciation - - - - -	2,799,830	2,465,252
	<hr/>	<hr/>
	2,314,615	2,664,916
ORGANIZATION AND FINANCING EXPENSES—Note C - - -	152,434	224,314

APPROVED ON BEHALF OF THE BOARD:

J. S. GAIRDNER, Director

C. W. LEONARDI, Director

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\$3,350,164	\$3,320,804
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The accompanying notes are an integral part of the financial statement.

LIMITED

(Incorporated under the Laws of Canada)

SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 1969

(Assets as at June 30, 1968)

LIABILITIES

	1969	1968
CURRENT LIABILITIES:		
Accounts payable - - - - -	\$ 100,905	\$ 91,027
Foreign income taxes - - - - -	74,753	32,611
Accrued interest and current maturities on debentures—Note C - - - - -	—	175,009
Current maturities of notes payable - - - - -	28,571	28,571
	<u>204,229</u>	<u>327,218</u>
OTHER LIABILITIES:		
Series "A" debentures—Note C - - - - -	—	2,600,000
Notes payable—Note B - - - - -	7,142	35,714
Unrealized foreign exchange - - - - -	42,813	44,015
Employees severance indemnities - - - - -	54,989	54,370
	<u>104,944</u>	<u>2,734,099</u>
SHAREHOLDERS' EQUITY:		
Capital stock—Notes C and D		
Authorized:		
5,000,000 shares without par value		
Issued:		
2,885,511 shares - - - - -	2,848,070	
		<i>1968</i>
(346,022 common shares) - -	—	22,622
(280,000 preferred shares) - -	—	2,800,000
	<u>2,848,070</u>	<u>2,822,622</u>
Retained earnings (deficit)—1969 after reorganization -	192,921	(2,563,135)
	<u>3,040,991</u>	<u>259,487</u>
	<u>\$3,350,164</u>	<u>\$3,320,804</u>

VENPOWER LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED JUNE 30, 1969

(With comparative amounts for the years ended June 30, 1968 and 1967)

	1969	1968	1967
REVENUE:			
Sale of power - - - - -	\$1,199,308	\$1,094,177	\$ 927,218
Miscellaneous - - - - -	42,807	15,301	19,389
	<u>1,242,115</u>	<u>1,109,478</u>	<u>946,607</u>
EXPENSES:			
Operating and administrative - - - - -	497,317	452,899	396,308
Provision for depreciation - - - - -	335,707	332,019	330,150
Legal fees - - - - -	14,395	11,536	4,121
	<u>847,419</u>	<u>796,454</u>	<u>730,579</u>
OPERATING PROFIT - - - - -	394,696	313,024	216,028
Interest on long-term debt - - - - -	86,991	162,000	175,803
EARNINGS BEFORE TAXES - - - - -	307,705	151,024	40,225
Series "B" discount on debentures written off - - - - -	—	—	18,000
	<u>307,705</u>	<u>151,024</u>	<u>22,225</u>
Foreign income taxes - - - - -	94,396	30,659	32,439
NET EARNINGS (LOSS) FOR THE YEAR - - - - -	<u>\$ 213,309</u>	<u>\$ 120,365</u>	<u>(\$ 10,214)</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

YEAR ENDED JUNE 30, 1969

(With comparative amounts for the years ended June 30, 1968 and 1967)

	1969	1968	1967
Deficit at July 1 - - - - -	\$2,563,135	\$2,643,623	\$2,566,448
Reorganization—Note C - - - - -	2,602,052	—	—
	<u>38,917</u>	<u>—</u>	<u>—</u>
Net earnings (loss) for the year - - - - -	213,309	120,365	(10,214)
	<u>252,226</u>	<u>2,523,258</u>	<u>2,576,662</u>
Loss on sale of fixed assets - - - - -	39,589	39,877	—
Reduction of prior years earnings - - - - -	19,716	—	66,961
DEFICIT AT JUNE 30 - - - - -		<u>\$2,563,135</u>	<u>\$2,643,623</u>
RETAINED EARNINGS, AFTER REORGANIZATION, AT JUNE 30 - - - - -	<u>\$ 192,921</u>		

The accompanying notes are an integral part of the financial statement.

V E N P O W E R L I M I T E D
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

YEAR ENDED JUNE 30, 1969

(With comparative amounts for 1968)

	1969	1968
SOURCE OF FUNDS:		
From operations:		
Net earnings for the year - - - - -	\$213,309	\$120,365
Provision for depreciation - - - - -	335,707	332,019
TOTAL FUNDS FROM OPERATIONS - - - - -	549,016	452,384
Increase in unrealized foreign exchange - - - - -	—	329
Issue of shares - - - - -	7,500	—
Cancellation of current maturities, Series "A" debentures -	100,000	—
Increase in employees severance indemnities - - - - -	619	10,547
Fixed assets sold (net) - - - - -	14,594	22,489
	<hr/> 671,729	<hr/> 485,749
APPLICATION OF FUNDS:		
Decrease in unrealized foreign exchange - - - - -	1,202	—
Loss on sale of fixed assets - - - - -	39,589	39,877
Reduction of prior years earnings - - - - -	19,716	—
Organization and financing expenses deferred (net) - -	8,120	—
Reduction of long-term notes payable - - - - -	28,572	28,571
Series "A" debentures—current maturity - - - - -	—	100,000
	<hr/> 97,199	<hr/> 168,448
Increase in working capital for the year - - - - -	574,530	317,301
WORKING CAPITAL, JULY 1 - - - - -	104,356	(212,945)
WORKING CAPITAL, JUNE 30 - - - - -	<hr/> \$678,886 <hr/>	<hr/> \$104,356 <hr/>

VENPOWER LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

JUNE 30, 1969

NOTE A

Excepting certain financial and administrative functions, the business of the Company and its wholly-owned subsidiaries, C. A. Fuerza Electrica and C. A. Electricidad de Cantaura, are carried on in the Republic of Venezuela.

Conversion to Canadian dollars of all assets and liabilities and revenues and expenditures originating in other currencies has been made at the official rate of exchange (which approximated quoted rates and was stable during the year) except for fixed assets and related allowances for depreciation which are stated at the accumulated amounts obtained by the application of rates prevailing at the time of acquisition or charge.

The official rate of exchange is 4.50 bolivars to \$1.00 U.S. or approximately 4.20 bolivars to \$1.00 Canadian.

NOTE B

Non interest-bearing notes were issued by C.A. Fuerza Electrica payable in equal monthly instalments for the period of February, 1967, to September, 1970 inclusive. These notes arise from the acquisition of the distribution and generation facilities located in the town of Cantaura.

NOTE C

Effective January 15, 1969 the following transactions were consummated:

1. The issue of supplementary letters patent changing the name of the Company to Venpower Limited and changing the capital stock and long-term debt of the Company as follows:
 - (a) changing the 280,000 issued 6% preferred shares, 1959 series, \$10 par value, into 700,000 shares without par value, on the basis of $2\frac{1}{2}$ shares without par value for each preferred share, and waiving all rights to arrears of cumulative preference dividends;
 - (b) changing the 720,000 unissued 6% preferred shares, 1959 series, \$10 par value into 3,800,000 shares without par value;
 - (c) consolidating and reclassifying the existing authorized 1,000,000 common shares without par value into 500,000 shares without par value, on the basis of one share without par value for each two common shares. The presently issued 346,022 common shares will be exchanged for 173,011 new shares.
2. The cancellation of \$700,000 deferred interest on the Series A debentures, the exchange of the debentures for 2,000,000 shares without par value on the basis of one share for each \$1. principal amount of debentures and the cancellation of the debentures, pursuant to an extraordinary resolution of the holders of Series A debentures.
3. The elimination of organization and financing expenses relating to the Series A debentures amounting to \$80,000.
4. The cancellation of interest receivable from the wholly-owned subsidiary C. A. Fuerza Electrica, corresponding to the \$700,000 deferred interest on the Series A debentures.
5. Decreasing the paid up capital of the Company by \$1,982,052 being the elimination of the parent company deficit.

NOTE D

During the year 12,500 shares were issued for a cash consideration of \$7,500.

NOTE E

At June 30, 1969, C. A. Fuerza Electrica, a wholly-owned subsidiary had a commitment for the purchase of a diesel generator of 2750 KVA with a substation and spare parts amounting to approximately \$365,000 as well as an option to purchase a second similar unit at a later date.

NOTE F

Remuneration received by directors as directors, officers or employees amounted to \$10,100 during the year.

To The Shareholders

Further to our annual report, no political decisions have been made concerning electricity rates in Venezuela so the matter of new contracts with the municipality is still pending. The Cantaura distribution system has now been completed and the new 2,500 K.W. package diesel unit has been delivered to Venezuela. A small additional contract has been agreed with Mobil Oil Company and operations as a whole are proceeding satisfactorily.

March 5, 1970

C.W. LEONARDI
President

VENPOWER LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

Consolidated Statement of Earnings for the six months ended December 31, 1969
(With comparative figures for 1968)

REVENUE:	1969	1968
Sale of power	\$ 570,666	\$ 597,699
Miscellaneous	35,905	25,450
	<u>\$ 606,571</u>	<u>\$ 623,149</u>
EXPENSES:		
Operating and administrative	\$ 252,069	\$ 242,701
Provision for depreciation	166,664	168,270
Legal Fees	6,303	5,364
	<u>\$ 425,036</u>	<u>\$ 416,335</u>
EARNINGS FROM OPERATIONS	\$ 181,535	\$ 206,814
Interest on long-term debt	—	81,000
EARNINGS BEFORE INCOME TAXES	\$ 181,535	\$ 125,814
Foreign income taxes	43,146	38,117
NET EARNINGS FOR THE PERIOD	<u>\$ 138,389</u>	<u>\$ 87,697</u>

Consolidated Statement of Source and Application of Funds for the six months ended December 31, 1969
(With comparative figures for 1968)

SOURCE OF FUNDS:		
From operations		
Net earnings for the period	\$ 138,389	\$ 87,697
Provision for depreciation	166,664	168,270
TOTAL FUNDS FROM OPERATIONS	\$ 305,053	\$ 255,967
Increase in unrealized foreign exchange	6,836	7,558
Increase in employees severance indemnities	5,277	3,758
	<u>\$ 317,166</u>	<u>\$ 267,283</u>
APPLICATION OF FUNDS:		
Property, plant and equipment purchased (net)	\$ 387,878	\$ 25,226
Adjustment of prior year's income	—	3,755
Organization and financing expenses deferred (net)	—	837
Partial payment on long-term notes	7,142	14,286
	<u>\$ 395,020</u>	<u>\$ 44,104</u>
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (77,854)	\$ 223,179
WORKING CAPITAL JULY 1ST	678,886	104,356
WORKING CAPITAL DECEMBER 31ST	<u>\$ 601,032</u>	<u>\$ 327,535</u>

VENPOWER LIMITED
O. BOX 53,
TORONTO-DOMINION CENTRE,
TORONTO 1, ONTARIO.